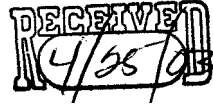


RAISIN GROWERS OF CALIFORNIA

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Honorable A. J. Yates
Administrator
Agricultural Marketing Service
USDA Mail stop 0201
1400 Independence Ave. SW
Washington DC 20250-0201

April 21, 2003

Re: Proposed Amendments to the Federal Marketing Order for Raisins Produced from Grapes
Grown in California

Dear Mr. Yates,

We want to take this opportunity to thank you for offering us an opportunity to submit this proposal on behalf of the Raisin Growers of California. As you are well aware, the Federal Marketing Order for Raisins Produced from Grapes Grown in California, hereafter called California Raisin Marketing Orders (CRMO), are very complex and outdated. Part of the current raisin industry problem could be attributed to the lack of built in controls and safety nets in the raisin marketing orders to prevent the failure of the system.

On October 29, 2002 Honorable Congressman George Radanovich and State Senator Chuck Poochigian hosted a Grape and Raisin summit at California State University Fresno. At this summit your honor publicly stated that the CRMO was outdated and too complex and needed a comprehensive review and modification. These were very appropriate and timely comments.

We started studying the raisin industry issues and the CRMO in April 2001. In July 2001 we submitted several recommendations to the Raisin Administrative Committee (RAC) for adoption and they were all ignored. The raisin industry lost two (2) valuable years due to the failure of the raisin industry leadership to act on a timely basis. The raisin industry can't afford to wait any longer.

Our study and evaluation of the raisin industry indicated that there were serious deficiencies in the CRMO. We also determined that root causes of the majority of the raisin industry problems were the deficiencies and loopholes in the marketing order. It became obvious to us that the first step in the process of addressing raisin industry problems would be to remove these deficiencies and to plug up the loopholes in the CRMO. Once fair and equitable rules are established and enforced the majority of the problems would be resolved.

From the beginning our focus and objective has been to improve the process. With this objective in mind, in April 2002 we developed a comprehensive proposal to amend various provisions of the CRMO.

The attached proposal consists of **FIVE (5) PARTS**. Each part addresses a specific and distinct raisin industry issue. Each Part has the following components:

- (a) **Proposed Amendment**: This section contains the proposed language to be incorporated into the "California Raisin Marketing Order".
- (b) **Purposes**: This section describes issues that need to be addressed.
- (c) **Benefits**: This section describes the benefits of the proposed amendments.

This proposal has been developed with the objective to improve the process and remove the deficiencies and plug up loopholes in the CRMO. In developing this proposal our specific goals were:

- Address conflict of interest in a fair and equitable manner.
- Simplify trade demand and free tonnage calculations and eliminate subjective adjustments.
- Stabilize and maximize free weight percentage.
- Provide fair return to growers and handlers.
- Reduce spread between domestic and export prices and reduce export program cost.
- Eliminate the adverse impact of the export support program on handler's inventory and next year free tonnage.
- Develop a system that would provide protection and a built in safety net to prevent the reoccurrence of build up of uncontrolled raisin inventory and the collapse of raisin prices.
- Ensure adequate raisin supply to meet market demand.
- Provide a mechanism to dispose of excess raisin inventory in an orderly manner.

Since our objectives were to address the raisin industry problems, therefore, we felt that it was absolutely essential to circulate the draft among the growers and raisin industry leaders and solicit their comments and inputs. In order to achieve this objective we distributed over 2000 copies of the initial draft. We also contacted raisin growers from different locations within the raisin growing areas and raisin industry leaders. During the past year we met with a majority of the California raisin growers, raisin grower organizations and raisin handlers. We reviewed the proposed amendments with them. A partial list of the raisin growers and raisin grower organizations we met with and discussed the proposed amendments with is given below:

- Raisin Growers of Kerman area (2 meetings)
- Raisin Growers of Caruthers area (3 meetings)
- Raisin Growers of Selma area (2 meetings)
- Raisin Growers of Delano and Bakersfield area (2 meetings)
- Raisin Bargaining Association (4 meetings)
- Sun-Maid Growers of California (4 meetings)
- National Raisin Company
- Baghosian Raisin Packing Inc.

- Four Bar C Farms, Inc.
- Raisin Administrative Committee (Solution Sub-committee - 4 meetings)

These groups represent more than 2/3 of the California raisin industry. At each meeting we reviewed the proposed amendments line by line with the participants and sought group comments and inputs. Necessary changes were incorporated on the basis of the group consensus.

The attached proposal consisting of FIVE (5) PARTS is the product of the collective efforts of numerous individuals and organizations that participated in the numerous reviews and discussion sessions. The proposal is not a Band-Aid to the ailing raisin industry. This is a comprehensive proposal that addresses both short term and long term issues. Upon adoption and implementation of the proposed amendments (ALL FIVE PARTS), the amended CRMO would offer the following benefits over the current marketing orders:

- Hiring a highly qualified, academically independent marketing expert, as a consultant would provide much needed unbiased and independent domestic and international market analysis and expert advice to the RAC.
- The producers would occupy the 35 producer member seats on RAC and the handlers would occupy 10 handler member seats on the RAC.
- The trade demand calculations would be simplified and subjective adjustments would be eliminated. These subjective adjustments make trade demand irrational and unpredictable. Some examples of the current irrational method of trade demand calculations are:
 1. FY 2000-01 Raisin shipments 295,477 tons and trade demand for 2001-02 only 235,585, that is 59,892 tons less than previous year shipments.
 2. FY 2001-02 Raisin shipments 298,133 tons and trade demand for 2002-03 only 196,185, that is 101,948 tons less than the previous year shipments.
 3. In 2001-02 raisin shipments went up and trade demand for 2002-03 went down, obviously there is a fundamental flaw in the present system of trade demand calculations.
- Like trade demand, the free tonnage calculation would be simplified and subjective adjustments that cause extreme fluctuations would be eliminated. Some examples of extreme free weight fluctuations under the current methods are:
 1. In FY 1982-83 free weight was 100% and the following FY (1983-84) the free weight dropped down to 37.5%.
 3. Similarly in FY 1998-99 free weight was 100% and in FY 2000-01 free weight dropped down to 53%.
- The stable free tonnage would also stabilize price and would eliminate extreme fluctuations in price: The examples of extreme price fluctuations under the current system are:
 1. In FY 1999-00 raisin price was \$1425/ton and in FY 2000-01 raisin price dropped to \$877.5/ton
- The spread between domestic and export price would be reduced and a cap on export compensation would be established. This would reduce export cost to growers.
- The adverse impact on handler's inventory and next year free tonnage would be eliminated.
- Adequate raisin supply to meet market demand would be ensured.
- Excess raisins would be disposed of in an orderly manner on an annual basis.

The proposed amendments (all five parts) are absolutely essential for the survival of raisin growers and the raisin industry. The California raisin industry in general, and raisin growers in particular, has suffered heavy financial losses during the past three years. Any delay in the adoption and implementation of these reforms would mean another year of heavy losses due to lack of timely action. The majority of the growers cannot afford another year of financial disaster.

Mr. Administrator this is the defining moment in the raisin industry history. If we fail to meet the challenges of the raisin industry, history may not be very kind to us. Our leadership, courage, compassion and character shall judge us.

The attached proposal is the product of hard work by a large number of hardworking and committed raisin producers and handlers. The proposal has the support and endorsement of more than 2/3 of the raisin industry. We request a favorable consideration of this proposal in its entirety.

We are submitting this complete proposal in accordance with Section 989.94 of the raisin marketing order. The USDA is obligated by its own regulations to consider this entire proposal. We would not support the adoption of a partial proposal.

Sincerely yours,

RAISIN GROWERS OF CALIFORNIA

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Copy: Maureen Pello, California Marketing Field Office, Marketing Order Administration Branch, AMS Fruits and Vegetable program, USDA, 2202 Monterey Street, Suite 102B, Fresno, CA 93721.

Enclosure: Proposed Amendments (FIVE PARTS) to the Federal Marketing Order for Raisins Produced from Grapes Grown in California with supporting tables

Grower signatures

PART - I

(A) PROPOSED AMENDMENT

Sec. 989.26 Establishment and membership

(a) The thirty-five (35) members referred to in this part as "producer" members and their alternates representing producers on the Raisin Administrative Committee shall be producers or officers or employees of producers. These members and their alternates shall have no ownership, investment, or employment interest in raisin packing, processing, and/or marketing facilities, entities, and/or organizations.

(b) Producer members of a producer owned marketing cooperative and producer cooperative bargaining association shall be eligible to serve as producer members on the RAC. An employee of a producer owned marketing cooperative and producer cooperative bargaining association shall not be eligible to serve as a producer representative on the RAC.

(c) Producer(s) drying his/her/their own grapes or other producer(s) grapes for a fee under controlled conditions (dehydration) or a producer packing and marketing his/her/their own product shall qualify as a producer if he/she/they meets all other requirements.

Sec. 989.27 Eligibility

Insert following paragraphs to this Section:

(a) Any person to be selected as a member or alternate on the RAC Board shall, prior to such selection, qualify by providing such background information as necessary and by advising the Secretary that he/she agrees to serve in the position for which he/she is being nominated.

(b) No person shall be selected or continue to serve as a member or alternate member on the RAC who is not actively engaged in the business of the group which he/she represents either in his/her own behalf, or as an officer, agent, or employee of a business unit engaged in such business.

(c) All RAC members and their alternates must meet all the eligibility requirements at the time of election and shall continue to meet all the eligibility requirements during his/her/their term as a RAC member or alternate. If any member or an alternate loses eligibility during his/her term, that member or alternate seat on the RAC shall be declared vacant and shall be filled in accordance with Section 989.34

(B) PURPOSE

In accordance with Section 989.26 of the California Raisin Marketing Order, the Raisin Administrative Committee (RAC) shall consist of 47 members of whom 35 shall represent producers, 10 shall represent handlers, one (1) shall represent cooperative bargaining association(s) and one (1) shall be a public member.

The problem is that although there are more than 5,500 raisin producers and only 14 raisin packers and handlers, the handlers control the RAC by taking advantage of the loophole in the marketing order. Every year the handlers occupy 10 handler seats and an additional 5 to 10 grower seats on the RAC board under the guise of independent growers. The handler representatives who are occupying 5 to 10 grower seats on the RAC board under the guise of independent growers have a vested interest in the raisin packing and processing industry and they vote to protect their interest.

Although these individuals are occupying grower seats, their true affiliation is with the handlers. These packer/handlers or their employees occupying producer seats have no affiliation with the producers and that is a CONFLICT OF INTEREST. This violates the spirit of the law and harms the interest of the growers.

(C) BENEFITS

- (a) The proposed amendment preserves and protects the 10 handler seats and 35 grower seats, one (1) Cooperative Bargaining Association, and one (1) public seat.
- (b) The proposed amendment would plug the loophole in the marketing order that the handlers have exploited for their benefit.
- (c) The proposed amendment would eliminate the conflict of interest and create a balanced representation on the RAC board.
- (d) The proposed amendment language is similar to the language in the other marketing order. The adaptation of this amendment would enhance the 5,500 growers confidence in the raisin marketing order.

PART – II

(A) PROPOSED AMENDMENT

Marketing Policies

Section 989.54 Hiring an Economist as a Consultant

The Raisin Administrative Committee shall hire a qualified economist as a consultant to advise the Committee on raisin marketing, export pricing, and profitability for the growers and handlers. The economist shall submit his/her annual report and other recommendations to the RAC by July 31 each year.

Section 989.54 Market Assessment

On or before August 15 of each crop year, the Committee shall hold a meeting to evaluate the economist's annual report and other recommendations, review the prior crop year's shipments, and compute trade demand for each varietal type.

(B) PURPOSE

California raisin sales and price per unit in the domestic and international market is a part of the globalized raisin market. Like other commodities, the sale and price of California raisins in the globalized raisin market are influenced by the global raisin supply, strength of U.S. currency in relation to the currency of the California raisin importing country(ies), direct and indirect support provided by the other countries to promote their products in the world market, and overall economic conditions of the countries importing California raisins. These are very complex phenomena and are beyond the ability and understanding of an average working raisin producer.

Under the California Raisin Marketing Order, the 47 Raisin Administrative Committee (RAC) members are entrusted with the power and responsibility to make these very complex marketing decisions. Due to lack of reliable market analysis and advice from an independent and unbiased marketing expert, it is very difficult for an average RAC member to access and analyze this information and make an informed decision. Due to lack of reliable, dependable, and unbiased information the committee member has to rely on their own limited knowledge of the global marketing environment and information provided by the parties with vested interest opposite to the growers' interest. This is a very undesirable situation under the global market environment.

(C) BENEFITS

Hiring a highly qualified, academically independent consultant with specialization in domestic and export markets would provide the Raisin Administrative Committee independent, reliable, and unbiased information about domestic and international raisin market conditions. The consultant would provide the Raisin Administrative Committee his/her independent analysis of domestic and international raisin market conditions and advise the Raisin Administrative Committee on raisin marketing, export pricing, and profitability for the growers and handlers.

PART - III

(A) PROPOSED AMENDMENT

Section 989.54 Trade Demand

The trade demand shall be 90% of the average of the prior three (3) years raisin shipments converted to natural condition weight of all raisins (free tonnage and reserve tonnage sold for free use) for the varietal type into all market outlets, including but not limited to domestic sales, international sales and sales to other normal market outlets excluding government buying. There shall be NO inventory or any other adjustment(s) 12 months from the date of adoption of this amendment. If one of the prior year(s) shipments was limited because of the crop conditions, the Committee shall select the shipments of the year preceding the prior three years to replace the limited year shipments.

Section 989.54 Offer to Sell Raisins from Reserve Pool as Free Tonnage

The reserve pool raisins from the current year crop shall be released for sale on a priority basis. No reserve pool raisins from previous year(s) crop(s) shall be released for sale to the market until the current year raisin crop is completely committed for sale.

- (a) The first opportunity to offer additional raisins from the reserve pool shall be on or before February 20 of each year. The quantity of raisins offered shall be equal to 10 percent of the average of the prior three (3) years of raisin shipments into normal market outlets by varietal type. The handler allocation from this offer shall be on the basis of their prior year's acquisition. This offer shall be open to handlers for not more than five (5) business days.*
- (b) The second opportunity to offer additional raisins from the reserve pool shall be on or before April 20 of each year. Only the packers and handlers who have acquired their proportionate share of the first 10% offer shall be eligible to purchase additional raisins from this second offer. The packers and/or handler may or may not have purchased additional raisins during the reoffer of unsold raisins during the first offer. The quantity of raisins offered shall be equal to 10 percent of the average of the prior three (3) years of raisin shipments into normal market outlets by varietal type. The handler allocation from this offer shall be on the basis of their prior year's shipments. This offer shall be open to handlers for not more than five (5) business days.*
- (c) The RAC may make additional offers in accordance with Section 989.67(j).*
- (d) Any raisin tonnage that remained unsold during the original offers shall be reoffered to handlers who purchased 100% of their allocations from the previous offers. This offer shall be on a first-come first-serve basis and this offer shall be open to handlers for two (2) business days.*
- (e) The price for the February offer of the raisins from the reserve tonnage to the handlers to sell as free tonnage pursuant to this Section shall be the established field price for the free tonnage raisins for the varietal type, plus the estimated cost incurred by the RAC for equity holders.*
- (f) The price for the subsequent offer(s) of the raisins from the reserve tonnage to the handlers to sell as free tonnage pursuant to this Section, shall be the established field price for free tonnage raisins for the varietal type, plus three percent (3%) of the established field price plus the estimated cost incurred by the RAC for equity holders.*

(B) PURPOSE

Under the raisin marketing order the raisin producers are paid on the basis of the percentage (%) of current year raisin crop released to the market under the free tonnage. The producers remaining crop is held as a reserve pool under the supervision and control of the RAC.

Under the marketing order free tonnage is a direct ratio between trade demand and raisin delivery. Trade demand is calculated based on previous raisin shipment into the market.

Attached Table – 1 provides year by year actual raisin delivery and raisin shipment data starting from Fiscal Year 1988-89. The analysis of actual delivery and shipment data indicates that on an average raisin deliveries are less than 400,000 tons and raisin shipments are close to 300,000 tons. A close examination of the past 10 years actual raisin deliveries and raisin shipments reveals that the raisin free tonnage should always be greater than 75%. The same data reveals that during the past three years the raisin free tonnage has been substantially below 75%. This discrepancy is due to subjective and biased adjustments incorporated into the trade demand formula by the handlers. The handlers are using these subjective adjustments to the trade demand formula as a tool to serve their financial interest. **This policy has unduly enriched handlers and has brought a financial disaster and ruin to the growers.**

The analysis of FY 2000-01 and 2001-02 clearly illustrates the severe problems created by the current trade demand formula. In FY 2000-01 raisin shipments were 295,477 tons and trade demand for FY 2001-02 was only 235,585, that is 59,892 tons less than previous year shipments. In FY 2001-02 raisin shipments were 298,133 tons and trade demand for FY 2002-03 was only 196,185, that is 101,948 tons less than the previous years shipments. It is clear that in FY 2001-02 raisin shipments went up and under normal circumstances the trade demand should have increased from the previous year. Instead in FY 2002-03 the trade demand went down from 235,585 to 196,185 tons. This analysis clearly demonstrates a fundamental problem in the trade demand calculation formula.

As described above free tonnage is a direct ratio between trade demand and raisin deliveries. A reduced trade demand means reduced free tonnage and that means less payment to the producers. A further analysis of **Attached Table – 1** indicates that in FY 2000-01 free tonnage was only 53%, in FY 2001-02 free tonnage was only 63%, and in FY 2002-03 free tonnage dropped to 53%. This means that in Fiscal Years 2000-01, 2001-02, and 2002-03 producers paid growing costs, mortgages, assessments, and taxes on 100% of their production and received payment only on 53%, 63%, and 53% of their crop respectively. **No producer can afford to produce a raisin crop under these conditions. This is a man made financial disaster for the raisin producers and raisin producers must be protected from this exploitation.**

(C) BENEFITS

(a) The proposed amendment would eliminate subjective and biased adjustments from the trade demand formula and would create a dependable, reliable, and predictable method of trade demand and free tonnage calculations.

- (b) The proposed amendment would establish a direct relationship between trade demand/free tonnage and raisin shipments.
- (c) The proposed amendment would increase free tonnage for the producers without additional costs to the handlers.
- (d) A direct ratio between raisin deliveries and raisin shipments for Fiscal Years 2000-01, 2001-02, and 2002-03 would have given producers free tonnage equal to 68%, 79% and 80% respectively and relief from financial disaster.

PART - IV

(A) PROPOSED AMENDMENT

Section 989.56 Inventory Management

1. Inventory Evaluation and Allocation

On or before December 31 of each year the Committee shall meet to determine the quantity of raisins available for allocation, distribution and sale from ALL sources during the current crop year such as the new crop and unsold raisins from the previous year reserve pool. In the allocation and distribution of raisins, the Committee shall give first priority to free tonnage and all remaining raisins shall be allocated to the reserve pool.

2. Reserve Pool

(a) Establishment and Purposes

On or before December 31 the RAC shall allocate raisins for free tonnage. All raisins in excess of the free tonnage shall be stored as a reserve pool. The reserve pool raisins shall be allocated in the following priority order:

- **Free tonnage:** Additional release for free tonnage based on the February free tonnage adjustment.
- **Sale of reserve pool raisins as free tonnage (Same as 10 + 10).**
- **Government purchases:** The quantity of raisins allocated for Government purchases shall be based on confirmed commitments or the average of the prior three (3) years of raisin purchases by the Government.
- **Food aid and other programs:** The quantity of raisins allocated for food aid and other programs shall be based on confirmed commitments or the average of the prior three (3) years of raisin purchases under these programs.
- **Vine removal and diversion programs**
- **Sales through non-normal outlets**

(b) Funding

The reserve pool is for the benefit of the raisin industry to assure a dependable and reliable supply of raisins to meet the market demand. Therefore the storage, handling, administrative and other costs and expenses associated with the unused reserve pool shall be paid 50% by the producers from the sale of raisins in the reserve pool and 50% by the packers.

3. Vine Removal and Diversion Program

(a) Program Establishment and Purposes

*If the quantity of raisins available in the reserve pool exceeds the allocations for free tonnage, 10+10 purchases, government purchases, and confirmed commitments for food aid and other programs, this shall automatically trigger the vine removal and diversion program. **No further RAC approval shall** be required to allocate up to 100,000 tons of raisins for the vine removal and diversion program in any one-crop year.*

(b) Vine Removal Program

The vine removal program shall be given first priority and incentive. (1) In order to qualify for the vine removal program the production unit must be under raisin production during the prior three (3) years. (2) The vine removal applicant must agree not to replant raisin type grapes on the same production unit for five (5) years from the date of approval notification for vine removal. (3) The production cap for the vine removal program shall be 150% of the credible weight not to exceed 2.5 tons of raisins per acre for any production unit approved for participation in the vine removal program.

(c) Raisin Diversion Program

Raisins that are in excess of the vine removal program shall be allocated to the raisin diversion program. The production cap for the raisin diversion program shall be 80% of the previous year's credible weight not to exceed 2.5 tons of raisins per acre for any production unit approved for participation in the diversion program.

Section 989.67 - Disposal of Uncommitted/Unsold Raisins.

On or before May 31 of each year the RAC shall estimate the size of the current year crop. The RAC shall also determine the quantity of raisins that are not committed for sale and/or distribution. Any raisins that are not committed for sale and/or distribution by May 31 shall be considered as excess raisins. The RAC with an affirmative vote of 2/3 of its members may carry up to 50,000 tons of excess raisins as a desirable carryover to the next crop year. The RAC shall sell the remaining excess raisins by July 31 (end of crop year) at a price and in a manner to maximize the producers return. No uncommitted raisins in excess of 50,000 tons shall be carried beyond July 31 of each year.

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(B) PURPOSE

Under current provisions of the raisin marketing order the storage, handling, release, sale, and other disposition of raisin inventory is at the discretion of the RAC board. There is no automatic trigger mechanism that upon existence of certain conditions would automatically trigger certain actions or force the RAC members to make certain decisions.

The RAC members have conflicting and competing interests and under these conditions, it is very difficult to convince a great majority of the RAC members to agree on anything. The current raisin industry problems are partly due to the inability of the RAC to take appropriate actions on a timely basis. The raisin marketing order needs to be amended to create a balance between the RAC role and meeting the industry needs.

The current provisions of the raisin marketing order do not favor the sale of the current year raisin crop on a priority basis. Instead the raisin marketing order favors storage of large portions of the current year raisin crop and favors the release of the previous year(s) raisin crop for sale in the market.

Some of the major weaknesses of this section of the raisin marketing order are:

- (a) Instead of favoring the release of the current year (fresh) raisins to the market, the marketing order favors and encourages the release of aged poor quality raisins into the market.
- (b) During extended storage raisin quality deteriorates due to sugar crystallization and other micro and macro organism infestation.
- (c) Since the current year raisin crop is not released for sale on a priority basis, this practice unnecessarily incurs storage and handling cost.
- (d) There is no mechanism to established priority in the allocation and distribution of raisin inventory.
- (e) There is no trigger mechanism to trigger raisin production management, raisin diversion and/or vine removal programs to manage unwanted production or utilization of unwanted raisin inventory.
- (f) There is no mechanism to prevent buildup of unwanted inventory.
- (g) There is no mechanism to prevent carryover of unwanted raisin inventory into the next crop year.
- (h) Extended storage on unwanted inventory means higher cost of storing and handling without any benefits.

(C) BENEFITS

The major benefits of the proposed amendment are:

- (a) It establishes reserve pool raisins allocation priorities and encourages the sale of current year (fresh) raisins during the current marketing season.
- (b) It establishes the conditions and trigger mechanism for the vine removal and the raisin diversion program.
- (c) It establishes a year end deadline for timely disposal of unwanted raisin inventory in an orderly manner.
- (d) It creates the timely disposal of unwanted raisins and reduces the storage and handling cost of unwanted raisin.
- (e) It ensures adequate supply of fresh raisins to meet market needs.

PART - V

(A) PROPOSED AMENDMENT

Section 989.67 Export Program

(a) Export Incentive Program

There shall be no raisins back for the export program under any circumstances. If the average export sales price received by the handlers is less than the field price, the handlers shall be compensated for the export sales in the form of a cash back program. However, if the average export sales price received by the handlers is more than the field price, the handlers shall compensate the growers. The cash compensation shall be the difference between the field price and the average export price, but shall not exceed 15% of the field price. However the RAC with 75% affirmative vote may increase the price differential up to 20% on a Fiscal Year basis.

(b) Approval of the Export Incentive Program

The export incentive program shall be approved by the RAC on a Fiscal Year basis and shall expire on July 31 of each year. The RAC shall have no authority to extend the previous year export incentive program beyond July 31. The raisin field price contract for the new Fiscal Year must be accepted and signed by the packers and handlers before an export incentive program for the new Fiscal Year is approved by the RAC. Without a field price contract the RAC shall have no authority to consider, approve and/or authorize an export incentive program.

(c) Funding of Export Incentive Program

Immediately after the establishment of a field price for free tonnage or August 1 of each year, whichever is the later, the Committee shall determine: (1) total raisin shipments into all normal market outlets during the prior crop year, (2) export shipments during the prior crop year, (3) average export price received by the handlers during the prior crop year. The Committee shall use this information to calculate percentages (%) of domestic and export shipments for the prior year. The Committee shall then establish an export price for the current crop year. The export price shall be within the 15% limit of the established field price. The Committee shall use these parameters to calculate a blended price for the current crop year as follows:

- Multiply current crop year field price with domestic shipment % of the prior crop year.*
- Multiply current crop year export price with export shipment % of the prior crop year.*
- Add the above two figures together. This would be the blended price for the free tonnage for the current crop year.*

The handler shall pay the blended price to the producers. The handler shall pay the difference between the field price and the price paid to the producer (field price minus blended price) to the RAC. The RAC shall keep these funds in a separate interest bearing account exclusively for the raisin export compensation program. These funds shall not be used for administrative or any other purposes. At the end of the Fiscal Year the account shall be reconciled and all leftover funds shall be refunded to the growers by August 31 of each year. (See Table – 2)